

3 Keys to Profitability

from a Successful and Growing Property Management Company

Bill Nye, CEO of Caviness & Cates, shares his secrets to growing his portfolio to 2000 units without adding staff.



Tell me a little about Caviness & Cates and how it has grown over the last few years?

The portfolio has more than doubled in the last few years. Just 2 years ago we were only around 400 units and now we have eight properties, we've built and own each one. We are almost finished with our ninth property and with this one we'll be at 1290 units total. In the next two years we'll be closer to 2000 units.

We have kept our corporate staff at a total of 4 employees (including myself). Including on-site managers, the Caviness and Cates Property Management division has a total of 26 employees.

Tell me a little about your role with Caviness & Cates?

I am the CEO and I'm responsible for overseeing leasing, marketing and day-to-day operations for all of the properties. I'm also a member of the Apartment All Stars and operate Bill Nye Training. I have about 30 speaking engagements a year and my training covers all aspects of property management – team building training and consulting is my niche. I also do some financial management and maintenance best practices.

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What are they keys to profitability in your business?

Manage people costs by investing in technology.

The biggest cost to your profitability is the number of people you need to manage your portfolio. Originally when we thought about growth we thought we would have to grow the corporate staff. But now with our technology investments we can grow our portfolio without adding people and costs!

We started with [changing our property management software to AppFolio](#) and we immediately saw a great impact because we could do so much more with our corporate staff. One of our future goals is to grow outside our local market (North Carolina) and it would be impossible to manage out-of-market properties without a solution like AppFolio.

Our goal is to use every feature offered by AppFolio – it just makes more sense to me. We offer [online rental applications](#) to all – we are planning to set up kiosks to allow our prospects to apply online from our leasing offices and pay rent online too. We do like having that personal touch with the residents.

Track important metrics closely.

Now, it is so much easier for us to see and measure performance by property. We can watch our metrics in detail and keep close tabs on expenses and income. I can access these [reports](#) from wherever I am and this keeps me very connected to our performance.

Specialize and maximize roles.

Now that we're as efficient as we are, our support staff in the corporate office can do even more. I believe our on-site managers #1 job is to deliver a great experience for our residents. I'm not worried about giving them access to too much information – we hire great people and trust them.

What profitability mistakes do Property Managers often make?

I think there are a few common mistakes in our business:

Not measuring often enough.

I like to take a weekly (and sometimes daily) look at our important metrics so I can see early if something is not on track.

Not measuring the right things.

I compare it to how we raise our children. We're always listening to report cards, the doctor, etc. Companies don't always take the time to analyze how profitable they could be. For instance, I pay very close attention to our operating expense ratio. Everyone knows about NOI, but to me measuring your operating expense ratio to NOI really tells you what your NOI means. We look at ratios and percentages much more than raw numbers.

Not valuing the people investments.

Our team of people (payroll burden) is the number one operating expense. We can honestly say that through the changes with AppFolio we will be able to build out our next three properties and not add anyone to our corporate staff. When companies ignore the opportunity cost of becoming more productive, they miss out on huge benefits.

200% Growth In 5 Years

Secrets of a Successful Property Manager

We interviewed Nick Scarabosio from Jackson Group Property Management in San Francisco, CA. We wanted to understand how they run such a successful and profitable company with only three full time staff positions.



Tell me a little about your office, how big is your team and how many properties you manage?

We're running our office with about 3 full time positions. We currently manage 537 units, a mixed portfolio of apartments, single family and condo associations. While the typical staff to property ratio in our industry is around 50-100 properties per staff member, we're at 179 properties per staff member.

How much has your portfolio grown over the last few years?

In the past 5 years we've grown over 200% in 5 years, so this is about 30-40% increase every year. And we've actually gone down in staff every year.

How do you keep such a lean ratio of staff to properties? What do you think are the keys to profitability for your business?

There are a few reasons:

1. We maximize our use of technology. We use AppFolio's web-based [property management software](#) and are using every single feature - online rent payments, accessing data from our mobile phones, online applications, the website, etc. We take full advantage of technology streamline our tasks.
2. Everyone who works here knows everything and has access to all data. Instead of specializing in different positions, we hire people we can trust and cross-train them to solve problems. We all have quick and easy access to info – it has to be complete information and on a single solution. If you run your business out of multiple systems you can easily mix up info and make mistakes entering data into multiple systems. When you have so much going on, you have to minimize the amount of errors.
3. Because we're mobile and we all have flexible schedules, we can spend much more time in the field and this time is 100% productive because we can access our data all the time.
4. We're always looking for new ways to streamline tasks. For example, we used to have to post to Craigslist, Homerentals, Rent.com, etc – posting vacancy ads 5 times each is a full-time position!

“We maximize our use of technology. We use AppFolio's web-based property management software and are using every single feature.”

What technology do you use in your office?

- We have a company policy that as much as possible tenants use the Internet to contact us. We have forms on our website, we respond really quickly to emails, we encourage them to pay rent online (contests, etc). Our goal is to really reduce the number of incoming phone calls.
- Everyone has smart phones so we can do our work from anywhere – I can respond to tenants when I’m doing an inspection on another property rather than waiting to get back to my desk.
- I have apps on my phone that are auto-responders so I can write canned responses. We spent \$1.99 for “Text Expander”, it allows you to cut and copy messages- this definitely saves a lot of time.
- We use AppFolio’s web-based property management software to its fullest extent. When there is a new feature that makes tasks easier, we implement immediately. We have over 37% (and growing fast) of our tenants [paying rent online](#) – you can see how this really saves time.
- We use an application called “Market Circle” for billing clients. It is web-based too and like all of our applications, I can use it from my iPhone.

What profitability mistakes do Property Managers often make?

I think the number one mistake is not appreciating that profitability is directly related to time. I tell clients that the perfect relationship for us to have is that unfortunately the only time we call is when there is an issue at the property. If you’re talking to the client more than once a month you’re not doing a great job, you’re answering questions they should have the answer to from your reports or other online info. In our business, the number one drag on profitability is all of the little time consuming tasks that add up.

What’s next for Jackson Group?

We try to do things as cheaply and as efficiently as possible. I always think there are even more opportunities to increase our profitability. I tell everyone the harder we work, the more we make. We were able to give raises this last year in a year where many people got fired.

We’re still a service-based industry so you have to be available and responsive. My ultimate goal for Jackson Group is we won’t have a brick and mortar office – the more time I spend shaking hands, meeting people [the more money we make](#). We would do everything online if we could!

